



PA VIRTUAL
CHARTER SCHOOL

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
KING OF PRUSSIA, PENNSYLVANIA**

FINANCIAL STATEMENTS

JUNE 30, 2023

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
JUNE 30, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8
SINGLE AUDIT INFORMATION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	17
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Recommendations	22
Corrective Action Plan	25



INDEPENDENT AUDITOR'S REPORT

March 29, 2024

To the Board Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pennsylvania Virtual Charter School, which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pennsylvania Virtual Charter School as of June 30, 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pennsylvania Virtual Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

To the Board of Directors
Pennsylvania Virtual Charter School

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania Virtual Charter School's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Virtual Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania Virtual Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
Pennsylvania Virtual Charter School

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the Pennsylvania Virtual Charter School has adopted the requirements Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 842, "Leases." The purpose of this statement is to increase the usefulness of financial statements by requiring recognition of certain leases as right-to-use assets and related liabilities.

Report on Summarized Comparative Information

We have previously audited Pennsylvania Virtual Charter School's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 29, 2024, on our consideration of Pennsylvania Virtual Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennsylvania Virtual Charter School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,481,143	\$ 18,649,867
Accounts receivable, net	4,402,281	3,035,328
Grants receivables	5,999,001	3,840,779
Prepaid expenses	117,230	711,568
Total Current Assets	<u>32,999,655</u>	<u>26,237,542</u>
NONCURRENT ASSETS:		
Land	918,892	918,892
Buildings and improvements	4,366,579	4,366,579
Furniture and equipment	2,354,473	2,354,473
Leased computer equipment	3,331,460	3,478,107
Less: Accumulated depreciation	(4,339,439)	(6,815,256)
Property and Equipment, Net	<u>6,631,965</u>	<u>4,302,795</u>
Security deposits	-	8,250
TOTAL ASSETS	<u>\$ 39,631,620</u>	<u>\$ 30,548,587</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,059,584	\$ 952,532
Other liabilities	5,974,289	2,720,980
Due to K-12, Inc.	434,316	675,315
Current portion of lease payable	958,769	41,706
Total Current Liabilities	<u>8,426,958</u>	<u>4,390,533</u>
NONCURRENT LIABILITIES:		
Lease payable	1,297,674	-
Compensated absences	281,780	211,865
Total Noncurrent Liabilities	<u>1,579,454</u>	<u>211,865</u>
Total Liabilities	<u>10,006,412</u>	<u>4,602,398</u>
NET ASSETS:		
Without donor restrictions	29,625,208	25,946,189
Total Net Assets	<u>29,625,208</u>	<u>25,946,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,631,620</u>	<u>\$ 30,548,587</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
PUBLIC SUPPORT AND REVENUE				
Public support:				
Operating subsidy	\$ 51,614,547	\$ -	\$ 51,614,547	\$ 50,887,768
Federal grants	-	4,113,261	4,113,261	5,185,223
State grants	-	197,942	197,942	206,546
Other income	171,478	-	171,478	29,826
Total Public Support	51,786,025	4,311,203	56,097,228	56,309,363
Revenue:				
Interest income	340,230	-	340,230	-
Total Revenue	340,230	-	340,230	-
Net assets released from restriction:				
Satisfaction of program restrictions	4,311,203	(4,311,203)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	56,437,458	-	56,437,458	56,309,363
EXPENSES				
Program services:				
Instruction	27,320,483	-	27,320,483	28,121,817
IDEA	611,206	-	611,206	638,523
Title I	1,248,407	-	1,248,407	1,265,579
Title II	104,713	-	104,713	116,547
Title IV	99,303	-	99,303	64,736
ESSER	2,049,632	-	2,049,632	3,099,838
Total Program Services	31,433,744	-	31,433,744	33,307,040
Support services	21,324,695	-	21,324,695	16,507,544
TOTAL EXPENSES	52,758,439	-	52,758,439	49,814,584
OTHER FINANCING SOURCES (USES)				
Loss on disposal of property and equipment	-	-	-	(9,744)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(9,744)
CHANGE IN NET ASSETS	3,679,019	-	3,679,019	6,485,035
NET ASSETS, BEGINNING OF YEAR	25,946,189	-	25,946,189	19,461,154
NET ASSETS, END OF YEAR	\$ 29,625,208	\$ -	\$ 29,625,208	\$ 25,946,189

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Totals for 2022)

	Program Services						Total Program Services	Support Services	Totals	
	Instruction	IDEA	Title I	Title II	Title IV	ESSER			2023	2022
Salaries	\$ 8,171,421	\$ -	\$ 1,054,101	\$ 101,028	\$ 93,180	\$ 1,194,804	\$ 10,614,534	\$ 11,151,058	\$ 21,765,592	\$ 19,402,307
Benefits and payroll taxes	8,144,944	-	62,420	-	-	832,043	9,039,407	5,927,019	14,966,426	12,579,092
Total Salaries and Related Expenses	16,316,365	-	1,116,521	101,028	93,180	2,026,847	19,653,941	17,078,077	36,732,018	31,981,399
Advertising expense	-	-	-	-	-	-	-	733,744	733,744	844,302
Depreciation	142,144	-	-	-	-	-	142,144	860,146	1,002,290	1,789,162
Dues and fees	9,756	-	-	-	5,500	-	15,256	407,751	423,007	201,097
Insurance	-	-	-	-	-	-	-	93,781	93,781	71,465
Instructional software	6,482,886	-	42,062	-	623	22,785	6,548,356	-	6,548,356	1,893,000
Interest expense	-	-	-	-	-	-	-	70,438	70,438	19,860
Materials and books	1,202,488	-	89,824	3,685	-	-	1,295,997	-	1,295,997	7,305,819
Miscellaneous	-	-	-	-	-	-	-	203,903	203,903	56,677
Occupancy	-	-	-	-	-	-	-	643,374	643,374	379,436
Postage	7,543	-	-	-	-	-	7,543	190,488	198,031	142,588
Professional services	46,938	-	-	-	-	-	46,938	61,814	108,752	41,299
Repairs and maintenance	-	-	-	-	-	-	-	81,884	81,884	552,599
Special education services	2,320,107	611,206	-	-	-	-	2,931,313	-	2,931,313	2,384,842
Supplies and small equipment	129,443	-	-	-	-	-	129,443	-	129,443	841,737
Telephone and internet	556,249	-	-	-	-	-	556,249	687,362	1,243,611	1,127,572
Travel and entertainment	106,564	-	-	-	-	-	106,564	211,933	318,497	181,730
TOTAL EXPENSES	\$ 27,320,483	\$ 611,206	\$ 1,248,407	\$ 104,713	\$ 99,303	\$ 2,049,632	\$ 31,433,744	\$ 21,324,695	\$ 52,758,439	\$ 49,814,584

The accompanying notes are an integral part of these financial statements.

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,679,019	\$ 6,485,035
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,002,290	1,789,162
Loss on disposal of property and equipment	-	9,744
(Increase) Decrease in:		
Accounts receivable	(1,366,953)	329,852
Grants receivable	(2,158,222)	(2,179,146)
Prepaid expenses	594,338	(566,097)
Increase (Decrease) in:		
Accounts payable	107,052	121,604
Other liabilities	3,253,309	(884,905)
Due to K-12, Inc.	(240,999)	137,386
Compensated absences	69,915	31,893
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,939,749	5,274,528
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(658,782)
Security deposit (increase) decrease	8,250	8,250
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	8,250	(650,532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments	(1,116,723)	(241,255)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,116,723)	(241,255)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,831,276	4,366,241
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,649,867	14,283,626
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 22,481,143	\$ 18,649,867
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 70,438	\$ 19,860
Fixed assets acquired through capital lease	\$ 3,331,460	\$ 658,782

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 NATURE OF THE ORGANIZATION

The mission of the Pennsylvania Virtual Charter School ("the School") is to provide Pennsylvania students with an excellent education, grounded in high academic standards, which will help them achieve their full academic and social potential. The School is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Act 22 of 1997.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting.

Financial Statement Presentation

In accordance with the portion of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the School is required to present a statement of cash flows.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code. The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Cash and Cash Equivalents

The School considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation is recognized over the estimated useful life of the assets utilizing the straight-line method, as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Leased computer equipment	3 years

Compensated Absences

School policies permit employees to accumulate earned but unused sick and vacation days. The policies limit the number of days employees may be paid out to five. The liabilities for these compensated absences are recorded as a liability in the financial statements.

Advertising Expense

The School is required to accept students from throughout the Commonwealth of Pennsylvania. Accordingly, the School advertises to ensure citizens of the Commonwealth are informed of the School's mission. The School expenses the production cost of advertising when incurred.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based upon employees' time for each function, purpose of each expenditure, and service provided for each program.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Implementation of FASB ASC Topic 842

During the year ended June 30, 2023, the School adopted the requirements Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 842, "Leases." The purpose of this statement is to increase the usefulness of financial statements by requiring recognition of certain leases as an asset and liabilities for those leases.

The School has elected the package of practical expedients permitted in ASC Topic 842. Additionally, the School has made the following additional elections with regards to the implementation of this new standard:

- The accounting policy election to exclude short-term leases from the scope of ASC Topic 842. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not contain an option to purchase the underlying asset that the lessee is reasonably certain to exercise. The School has elected to apply a simplified method of accounting for short-term leases where lease payments are recognized as expense on a straight-line basis over the lease term.
- Implementation retrospectively at the beginning of the period of adoption (July 1, 2021).

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School maintains five bank accounts at TD Bank, NA. Accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2023, the carrying amount of the School's deposits totaled \$8,640,913, and the bank balance was \$8,826,419. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$8,576,419 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the School's name. However, the exposed deposits were collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. The School also holds a certificate of deposit with TD Bank, NA, in the amount of \$13,840,230 as of June 30, 2023. This amount is included in the cash and cash equivalents line of the statement of financial position.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 consisted of the following:

Due from school districts and Pennsylvania	
Department of Education:	\$ 5,134,753
Less: Allowance for doubtful accounts	<u>(732,472)</u>
TOTAL	<u>\$ 4,402,281</u>

NOTE 5 GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2023:

School Health Annual Reimbursement System	
(SHARS)	\$ 61,604
Federal receivables	<u>5,937,397</u>
TOTAL	<u>\$ 5,999,001</u>

NOTE 6 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 918,892	\$ -	- \$	\$ 918,892
Buildings and improvements	4,366,579	- -	- -	4,366,579
Furniture and equipment	2,354,473	- -	- -	2,354,473
Leased computer equipment	3,478,107	3,331,460	3,478,107	3,331,460
	11,118,051	3,331,460	3,478,107	10,971,404
Accumulated depreciation	(6,815,256)	(1,002,290)	(3,478,107)	(4,339,439)
Total Property and Equipment, Net	<u>\$ 4,302,795</u>	<u>\$ 2,329,170</u>	<u>\$ -</u>	<u>\$ 6,631,965</u>

NOTE 7 DUE TO K-12, INC.

In June 2009, the School entered into an agreement with K-12, Inc. to provide online curricula, instructional tools, materials, and other products through June 2024. Under this agreement, the

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 DUE TO K-12, INC. (cont'd)

School has purchased online curricula, instructional tools, materials, and other products totaling \$5,631,948 for the year ended June 30, 2023.

K-12, Inc. is not a division or any part of the School. The School is a body corporate authorized under Pennsylvania Charter School Law and is not a division or a part of K-12, Inc. The relationship between the parties was developed and entered into through arms-length negotiations and is based solely on the terms of this agreement and those of any other agreements that may exist from time to time between the parties.

The line item "Due to K-12, Inc." shown on the statement of financial position represents amounts payable and due to K-12, Inc. for curriculum materials. The amount due as of June 30, 2023 was \$434,316.

NOTE 8 LEASE OBLIGATION

The School acquired \$3,331,460 of computers under a lease agreement with payments due yearly on June 1, beginning on June 1, 2023 through June 1, 2025, with a final payment for the remainder of the balance on August 1, 2026. The leased computers are depreciated over the life of the lease. Depreciation of the computers under the capital lease is included in depreciation expense. For the year ended June 30, 2023, the School recorded \$370,162 of depreciation on the computers. The table below describes the future amounts due under the lease.

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$ 958,769	\$ 186,685	\$ 1,145,454
2025	1,038,092	107,362	1,145,454
2026	259,582	25,417	284,999
	<u>\$ 2,256,443</u>	<u>\$ 319,464</u>	<u>\$ 2,575,907</u>

NOTE 9 SUBSCRIPTION AGREEMENT

In the current year, the School entered into a subscription agreement with Ring Central to provide monthly telephone and conferencing services. Subscription expense for the year ended June 30, 2023 was \$52,883 and is included in telephone and internet in the statement of functional expenses.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 SUBSCRIPTION AGREEMENT (cont'd)

Future payments under this subscription agreement are as follows:

<u>Year Ending June 30,</u>
2024
2025
2026
<u>\$ 52,883</u>
<u>52,883</u>
<u>22,034</u>
<u>\$ 127,800</u>

NOTE 10 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislative-mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues an annual comprehensive financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Public School Employees' Retirement System, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Eligible active members contribute at 7.5 percent of their qualifying compensation. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2023, the rate of employer contribution was 35.26, allocated 34.36 percent to pensions, 0.15 percent to Act 5 defined contribution, and 0.75 percent to health insurance. The School's contribution to PSERS for the years ended June 30, 2023, 2022, and 2021 was \$7,416,478, \$6,300,508, and \$5,038,506, respectively, equal to the required contribution.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the normal course of business. In the opinion of management, all

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (cont'd)

such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of the School if disposed of unfavorably.

NOTE 12 UNCERTAINTIES

Grants

The School receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the School. Management believes such disallowance, if any, would be immaterial.

NOTE 13 LIQUIDITY AND AVAILABILITY OF RESOURCES

The School's financial assets consist of cash and cash equivalents, accounts receivable, and grants receivable.

The following reflects the School's financial assets as of June 30, 2023, reduced by amounts not available for general use within one year of the statement of financial position date.

Financial assets, at year-end	<u>\$32,882,425</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$32,882,425</u>

The School utilizes grant funding and funding from school districts for major capital expenditures and utilizes an annual budget and, therefore, does not include depreciation expense when evaluating operating expenses for liquidity purposes. The School has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through March 29, 2024, the date the financial statements were available to be issued.

SINGLE AUDIT INFORMATION



INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

March 29, 2024

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Virtual Charter School ("the School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Pennsylvania Virtual Charter School

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as #2023-001 that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Organization's Response to Finding

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

March 29, 2024

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Pennsylvania Virtual Charter School's ("the School") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the School's major federal program for the year ended June 30, 2023. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the School compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence

Board of Directors
Pennsylvania Virtual Charter School

we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Directors
Pennsylvania Virtual Charter School

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and recommendations as item #2023-001. Our opinion on the major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and recommendations. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and recommendations as item #2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over the compliance finding identified in our audit described in the accompanying schedule of findings and recommendations. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/PROJECT TITLE U.S. DEPARTMENT OF EDUCATION	SOURCE CODE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2022		REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2023	AMOUNT PASSED THROUGH TO SUB-RECIPIENTS
Passed through Montgomery County I.U.												
IDEA	I	84.027	062-22-0035	07/01/2021 - 06/30/2022	\$ 638,523	\$ 121,319	\$ 121,319	\$ -	\$ 611,206	\$ 611,206	\$ 611,206	\$ -
IDEA	I	84.027	062-23-0023	07/01/2022 - 06/20/2023	611,206		121,319		611,206	611,206	611,206	
Total ALN 84.027						121,319	121,319	611,206	611,206	611,206	611,206	
Total IDEA						121,319	121,319	611,206	611,206	611,206	611,206	
Passed through Pennsylvania Department of Education												
Elementary and Secondary School Emergency Relief Fund	I	84.425D	FA-200-21-1018	03/13/2020 - 09/30/2023	3,178,842		1,357,169	1,525,967	1,525,967	2,883,136		
Elementary and Secondary School Emergency Relief Fund	I	84.425U	FA-200-23-1018	03/13/2020 - 09/30/2024	6,429,877	116,907	1,096,242	523,665	523,665	1,503,000		
Total ALN 84.425						116,907	2,453,411	2,049,632	2,049,632	4,386,136		
Total Elementary and Secondary School Emergency Relief Fund						116,907	2,453,411	2,049,632	2,049,632	4,386,136		
Passed through Pennsylvania Department of Education												
Title I Grants - Improving Basic Programs	I	84.010	013-22-1018	08/28/2021 - 09/30/2022	1,265,579	1,063,940	1,063,940					
Title I Grants - Improving Basic Programs	I	84.010	013-23-1018	08/19/2022 - 09/30/2023	1,248,407	445,870	-	1,248,407	1,248,407	802,537		
Total ALN 84.010						1,509,810	1,063,940	1,248,407	1,248,407	802,537		
Total Title I						1,509,810	1,063,940	1,248,407	1,248,407	802,537		
Title II - Improving Teacher Quality	I	84.367	020-22-1018	08/19/2021 - 09/30/2022	116,547	96,779	96,779					
Title II - Improving Teacher Quality	I	84.367	020-23-1018	08/19/2022 - 09/30/2023	104,713	34,966	-	104,713	104,713	69,747		
Total ALN 84.367						131,745	96,779	104,713	104,713	69,747		
Total Title II						131,745	96,779	104,713	104,713	69,747		
Title IV - Student Support & Academic Enrichment	I	84.424	144-22-1018	08/19/2021 - 09/30/2022	64,736	50,872	50,872					
Title IV - Student Support & Academic Enrichment	I	84.424	144-23-1018	08/19/2022 - 09/30/2023	99,303	31,532	-	99,303	99,303	67,771		
Total ALN 84.424						82,404	50,872	99,303	99,303	67,771		
Total Title IV						82,404	50,872	99,303	99,303	67,771		
TOTAL U.S. DEPARTMENT OF EDUCATION						1,962,185	3,786,321	4,113,261	4,113,261	5,937,397		
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 1,962,185	\$ 3,786,321	\$ 4,113,261	\$ 4,113,261	\$ 5,937,397		

SOURCE CODE:

I - Indirect Funding

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Pennsylvania Virtual Charter School. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2023, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [unmodified, qualified, adverse, or disclaimer]:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
• Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major program:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported

Type of auditor's report issued on compliance for major program [unmodified, qualified, adverse, or disclaimer]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes No

Identification of major program:

Assistance Listing Numbers

Name of Federal Program or Cluster

84.425D, 84.425U

Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#2023-001

Condition

The quarterly filings related to the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Grants were not filed timely during fiscal year end 2023. This led to the suspension of payments from the Pennsylvania Department of Education.

Criteria

The internal controls over federal grant reporting of the School should allow for identification of and adherence to grant reporting due dates. This is especially important as it can affect future funding of the School related to these grants.

Cause

Oversight due to turnover of accounting staff during the year.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Effect

Noncompliance with Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Grants.

Recommendation

We recommend that the School implement policies and procedures that will provide internal controls over federal grant reporting sufficient to ensure timely filing of future reporting.



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Date: March 29, 2024

To Whom It May Concern:

Pennsylvania Virtual Charter School respectfully submits the following management response for the year ended June 30, 2023, based on the schedule of findings and recommendations included in the following audit report:

Audit Period: July 1, 2022 - June 30, 2023

Auditor: Barbacane, Thornton & Company LLP
Certified Public Accountants
503 Carr Road, Suite 100
Wilmington, DE 19809

Finding 2023-001 — During our current year audit, it was noted that quarterly reports related to the Education Stabilization Fund were not filed timely which led to the suspension of payments from the Pennsylvania Department of Education.

Recommendation – We recommend that the School implement policies and procedures that will provide internal controls over federal grant reporting sufficient to ensure timely filing of future reporting.

Action Taken – Pennsylvania Virtual Charter School management agrees with the above recommendation and has instituted policies and procedures designed to address this finding:

- Clarified that the appropriate persons are receiving audit notifications.
- Subsequent due dates are included in the organizational and departmental and administrative calendars.

Sincerely,

Melissa Paris

Melissa Paris
Chief Financial Officer